

105TH CONGRESS
2D SESSION

S. 2629

To amend the Internal Revenue Code of 1986 to provide an investment credit to promote the availability of jet aircraft to underserved communities, to reduce the passenger tax rate on rural domestic flight segments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 14 (legislative day, OCTOBER 2), 1998

Mr. DORGAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide an investment credit to promote the availability of jet aircraft to underserved communities, to reduce the passenger tax rate on rural domestic flight segments, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX CREDIT FOR REGIONAL JET AIRCRAFT**

4 **SERVING UNDERSERVED COMMUNITIES.**

5 (a) ALLOWANCE OF CREDIT.—

6 (1) IN GENERAL.—Section 46 of the Internal
7 Revenue Code of 1986 (relating to amount of credit)

1 is amended by striking “and” at the end of para-
 2 graph (2), by striking the period at the end of para-
 3 graph (3) and inserting “, and”, and by inserting
 4 after paragraph (3) the following new paragraph:

5 “(4) in the case of an eligible small air carrier,
 6 the underserved community jet access credit.”

7 (2) UNDERSERVED COMMUNITY JET ACCESS
 8 CREDIT.—Section 48 of such Code (relating to the
 9 energy credit and the reforestation credit) is amend-
 10 ed by adding after subsection (b) the following new
 11 subsection:

12 “(c) UNDERSERVED COMMUNITY JET ACCESS CRED-
 13 IT.—

14 “(1) IN GENERAL.—For purposes of section 46,
 15 the underserved community jet access credit of an
 16 eligible small air carrier for any taxable year is an
 17 amount equal to 10 percent of the qualified invest-
 18 ment in any qualified regional jet aircraft.

19 “(2) ELIGIBLE SMALL AIR CARRIER.—For pur-
 20 poses of this subsection and section 46—

21 “(A) IN GENERAL.—The term ‘eligible
 22 small air carrier’ means, with respect to any
 23 qualified regional jet aircraft, an air carrier—

24 “(i) to which part 121 of title 14,
 25 Code of Federal Regulations, applies, and

1 “(ii) which has less than
2 10,000,000,000 (10 billion) revenue pas-
3 senger miles for the calendar year preced-
4 ing the calendar year in which such air-
5 craft is originally placed in service.

6 “(B) AIR CARRIER.—The term ‘air carrier’
7 means any air carrier holding a certificate of
8 public convenience and necessity issued by the
9 Secretary of Transportation under section
10 41102 of title 49, United States Code.

11 “(C) START-UP CARRIERS.—If an air car-
12 rier has not been in operation during the entire
13 calendar year described in subparagraph (A)(ii),
14 the determination under such subparagraph
15 shall be made on the basis of a reasonable esti-
16 mate of revenue passenger miles for its first full
17 calendar year of operation.

18 “(D) AGGREGATION.—All air carriers
19 which are treated as 1 employer under section
20 52 shall be treated as 1 person for purposes of
21 subparagraph (A)(ii).

22 “(3) QUALIFIED REGIONAL JET AIRCRAFT.—
23 For purposes of this subsection, the term ‘qualified
24 regional jet aircraft’ means a civil aircraft—

1 “(A) which is originally placed in service
2 by the taxpayer,

3 “(B) which is powered by jet propulsion
4 and is designed to have a maximum passenger
5 seating capacity of not less than 30 passengers
6 and not more than 100 passengers, and

7 “(C) at least 50 percent of the flight seg-
8 ments of which during any 12-month period be-
9 ginning on or after the date the aircraft is
10 originally placed in service are between a hub
11 airport (as defined in section 41731(a)(3) of
12 title 49, United States Code, and an under-
13 served airport.

14 “(4) UNDERSERVED AIRPORT.—The term ‘un-
15 derserved airport’ means, with respect to any quali-
16 fied regional jet aircraft, an airport which for the
17 calendar year preceding the calendar year in which
18 such aircraft is originally placed in service had less
19 than 600,000 enplanements.

20 “(5) QUALIFIED INVESTMENT.—For purposes
21 of paragraph (1), the term ‘qualified investment’
22 means, with respect to any taxable year, the basis of
23 any qualified regional jet aircraft placed in service
24 by the taxpayer during such taxable year.

25 “(6) QUALIFIED PROGRESS EXPENDITURES.—

1 “(A) INCREASE IN QUALIFIED INVEST-
2 MENT.—In the case of a taxpayer who has
3 made an election under subparagraph (E), the
4 amount of the qualified investment of such tax-
5 payer for the taxable year (determined under
6 paragraph (5) without regard to this sub-
7 section) shall be increased by an amount equal
8 to the aggregate of each qualified progress ex-
9 penditure for the taxable year with respect to
10 progress expenditure property.

11 “(B) PROGRESS EXPENDITURE PROPERTY
12 DEFINED.—For purposes of this paragraph, the
13 term ‘progress expenditure property’ means any
14 property which is being constructed for the tax-
15 payer and which it is reasonable to believe will
16 qualify as a qualified regional jet aircraft of the
17 taxpayer when it is placed in service.

18 “(C) QUALIFIED PROGRESS EXPENDI-
19 TURES DEFINED.—For purposes of this para-
20 graph, the term ‘qualified progress expendi-
21 tures’ means the amount paid during the tax-
22 able year to another person for the construction
23 of such property.

24 “(D) ONLY CONSTRUCTION OF AIRCRAFT
25 TO BE TAKEN INTO ACCOUNT.—Construction

1 shall be taken into account only if, for purposes
2 of this subpart, expenditures therefor are prop-
3 erly chargeable to capital account with respect
4 to the qualified regional jet aircraft.

5 “(E) ELECTION.—An election under this
6 paragraph may be made at such time and in
7 such manner as the Secretary may by regula-
8 tions prescribe. Such an election shall apply to
9 the taxable year for which made and to all sub-
10 sequent taxable years. Such an election, once
11 made, may not be revoked except with the con-
12 sent of the Secretary.

13 “(7) COORDINATION WITH OTHER CREDITS.—
14 This subsection shall not apply to any property with
15 respect to which the energy credit or the rehabilita-
16 tion credit is allowed unless the taxpayer elects to
17 waive the application of such credits to such prop-
18 erty.

19 “(8) SPECIAL LEASE RULES.—For purposes of
20 section 50(d)(5), section 48(d) (as in effect on the
21 day before the date of the enactment of the Revenue
22 Reconciliation Act of 1990) shall be applied for pur-
23 poses of this section without regard to paragraph
24 (4)(B) thereof (relating to short-term leases of prop-
25 erty with class life of under 14 years).

1 “(9) APPLICATION.—This subsection shall
 2 apply to periods after the date of the enactment of
 3 this subsection and before January 1, 2009, under
 4 rules similar to the rules of section 48(m) (as in ef-
 5 fect on the day before the date of the enactment of
 6 the Revenue Reconciliation Act of 1990).”

7 (3) RECAPTURE.—Section 50(a) of such Code
 8 (relating to recapture in the case of dispositions,
 9 etc.) is amended by adding at the end the following
 10 new paragraph:

11 “(6) SPECIAL RULES FOR AIRCRAFT CREDIT.—

12 “(A) IN GENERAL.—For purposes of deter-
 13 mining whether a qualified regional jet aircraft
 14 ceases to be investment credit property, an air-
 15 port which was an underserved airport as of the
 16 date such aircraft was originally placed in serv-
 17 ice shall continue to be treated as an under-
 18 served airport during any period this subsection
 19 applies to the aircraft.

20 “(B) PROPERTY CEASES TO QUALIFY FOR
 21 PROGRESS EXPENDITURES.—Rules similar to
 22 the rules of paragraph (2) shall apply in the
 23 case of qualified progress expenditures for a
 24 qualified regional jet aircraft under section
 25 48(c).”

1 (4) TECHNICAL AMENDMENTS.—

2 (A) Subparagraph (C) of section 49(a)(1)
 3 of such Code is amended by striking “and” at
 4 the end of clause (ii), by striking the period at
 5 the end of clause (iii) and inserting “, and”,
 6 and by adding at the end the following new
 7 clause:

8 “(iv) the portion of the basis of any
 9 qualified regional jet aircraft attributable
 10 to any qualified investment (as defined by
 11 section 48(c)(5)).”

12 (B) Paragraph (4) of section 50(a) of such
 13 Code is amended by striking “and (2)” and in-
 14 serting “, (2), and (6)”.

15 (C)(i) The section heading for section 48
 16 of such Code is amended to read as follows:

17 **“SEC. 48. OTHER CREDITS.”**

18 (ii) The table of sections for subpart E of
 19 part IV of subchapter A of chapter 1 of such
 20 Code is amended by striking the item relating
 21 to section 48 and inserting the following new
 22 item:

“Sec. 48. Other credits.”

23 (5) EFFECTIVE DATE.—The amendments made
 24 by this subsection shall apply to periods after the
 25 date of the enactment of this Act, under rules simi-

1 lar to the rules of section 48(m) of the Internal Rev-
 2 enue Code of 1986 (as in effect on the day before
 3 the date of the enactment of the Revenue Reconcili-
 4 ation Act of 1990.

5 (b) REDUCED PASSENGER TAX RATE ON RURAL DO-
 6 MESTIC FLIGHT SEGMENTS.—Section 4261(e)(1)(C) of
 7 such Code (relating to segments to and from rural air-
 8 ports) is amended to read as follows:

9 “(C) REDUCTION IN GENERAL TAX
 10 RATE.—

11 “(i) IN GENERAL.—The tax imposed
 12 by subsection (a) shall apply to any domes-
 13 tic segment beginning or ending at an air-
 14 port which is a rural airport for the cal-
 15 endar year in which such segment begins
 16 or ends (as the case may be) at the rate
 17 determined by the Secretary under clause
 18 (ii) for such year in lieu of the rate other-
 19 wise applicable under subsection (a).

20 “(ii) DETERMINATION OF RATE.—The
 21 rate determined by the Secretary under
 22 this clause for each calendar year shall
 23 equal the rate of tax otherwise applicable
 24 under subsection (a) reduced by an
 25 amount which reflects the net amount of

the increase in revenues to the Treasury for such year resulting from the amendments made by subsections (a) and (c) of section ____ of the Wendell H. Ford National Air Transportation System Improvement Act of 1998.

“(iii) TRANSPORTATION INVOLVING MULTIPLE SEGMENTS.—In the case of transportation involving more than 1 domestic segment at least 1 of which does not begin or end at a rural airport, the rate applicable by reason of clause (i) shall be applied by taking into account only an amount which bears the same ratio to the amount paid for such transportation as the number of specified miles in domestic segments which begin or end at a rural airport bears to the total number of specified miles in such transportation.”.

(c) TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

(1) IN GENERAL.—Section 332 of the Internal Revenue Code of 1986 (relating to complete liquida-

1 tions of subsidiaries) is amended by adding at the
 2 end the following new subsection:

3 “(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF
 4 REGULATED INVESTMENT COMPANIES AND REAL ES-
 5 TATE INVESTMENT TRUSTS.—If a corporation receives a
 6 distribution from a regulated investment company or a
 7 real estate investment trust which is considered under sub-
 8 section (b) as being in complete liquidation of such com-
 9 pany or trust, then, notwithstanding any other provision
 10 of this chapter, such corporation shall recognize and treat
 11 as a dividend from such company or trust an amount
 12 equal to the deduction for dividends paid allowable to such
 13 company or trust by reason of such distribution.”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) The material preceding paragraph (1)
 16 of section 332(b) of such Code is amended by
 17 striking “subsection (a)” and inserting “this
 18 section”.

19 (B) Paragraph (1) of section 334(b) of
 20 such Code is amended by striking “section
 21 332(a)” and inserting “section 332”.

22 (3) EFFECTIVE DATE.—The amendments made
 23 by this subsection shall apply to distributions after
 24 May 21, 1998.

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